

Message Text

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ORIGIN SS-15

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10
IO-13 AID-05 SOE-02 CEA-01 CIAE-00 COME-00
DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09 SP-02
STR-07 TRSE-00 ACDA-12 DOEE-00 SES-02 SAA-01
SIG-03 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 /202 R

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APPROVED BY E:RNCOOPER
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P 152126Z AUG 78
FM SECSTATE WASHDC
TO AMEMBASSY JIDDA PRIORITY
INFO AMCONSUL DHAHRAN PRIORITY
USLO RIYADH
AMEMBASSY ABU DHABI
AMEMBASSY ALGIERS
USINT BAGHDAD
AMEMBASSY BONN
AMEMBASSY CARACAS
AMEMBASSY DOHA
AMEMBASSY JAKARTA
AMEMBASSY KUWAIT
AMEMBASSY LAGOS
AMEMBASSY LIBREVILLE
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
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AMEMBASSY TRIPOLI
AMEMBASSY VIENNA

C O N F I D E N T I A L STATE 206634

E.O. 11652: GDS

TAGS: ECON, EAID, ENRG, SA

SUBJECT: UNDER SECRETARY COOPER'S MEETING WITH PRINCE
SAUD AL FAISAL, SAG MINISTER OF FOREIGN AFFAIRS

1. FOLLOWING IS UNDER SECRETARY COOPER'S CORRECTED VERSION
OF THE ACCOUNT OF HIS CONVERSATION ON JULY 22 WITH SAUDI
ARABIAN MINISTER OF FOREIGN AFFAIRS PRINCE SAUD AL FAISAL
IN TAIF. ACCOUNT IS BASED ON DRAFT SUBMITTED IN JIDDA'S
5860.

2. MEETING PRINCE SAUD AT TAIF ON JULY 22, 1978, UNDER
SECRETARY COOPER STATED THAT PRESIDENT CARTER WISHED HIM
TO GIVE SAG BRIEFING ON BONN ECONOMIC SUMMIT. PRINCE SAUD
REPLIED THAT HE HOPED THIS WOULD BE THE FIRST OF MANY
VISITS BY UNDER SECRETARY COOPER AND THAT THE KINGDOM
VALUED THE INSIGHTS PROVIDED BY SUCH VISITS.

3. COOPER PROVIDED IN-DEPTH BRIEFING ON RESULTS OF THE
SUMMIT. REPORT COVERED ECONOMIC GROWTH, ESPECIALLY IN
EUROPE AND JAPAN, LARGE TRADE IMBALANCES AND THE DECLINING
DOLLAR, ENERGY, AND NORTH-SOUTH RELATIONS. REGARDING
ENERGY, COOPER POINTED OUT THAT THE U.S. WAS ACHIEVING A
BETTER RECORD IN ENERGY CONSERVATION THAN SOME EUROPEAN
COUNTRIES AND HE POINTED OUT THAT WHILE EUROPEAN AND
JAPANESE CRITICISM OF THE LACK OF AN ADEQUATE U.S. ENERGY
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PROGRAM WAS VALID, CRITICISM OF U.S. ENERGY PREFORMANCE
SINCE 1974 WAS LESS APPROPRIATE. SAUD SAID THAT, DURING
HIS RECENT VISITS TO EUROPEAN COUNTRIES WITH KING
KHALED, HE DID NOT DETECT STRONG CRITICISM OF THE U.S.
IN THIS REGARD, BUT EUROPEANS DO WANT THE U.S. TO BE
FIRMER IN ENERGY CONSERVATION.

4. SAUD NOTED THE UPCOMING PROBLEMS THAT SAG ANTICIPATES
IN THE DECLINE OF THE DOLLAR AND THE EFFECT ON OIL PRICES.
NEW AND STRONGER PRESSURES COULD BE EXPECTED FROM OTHER
OPEC MEMBERS, AND SAG FACED DIFFICULTY IN WEIGHING
COMPLIANCE WITH OPEC PRESSURES FOR OIL PRICE INCREASES
AGAINST ECONOMIC INTERESTS OF THE WESTERN WORLD.

5. RESPONDING TO COOPER'S INQUIRY RE PRODUCTION FORECASTS,
SAUD STATED THAT SAUDI MAXIMUM SUSTAINED OIL PRODUCTION
WAS NOW ABOUT 8.5 MILLION B/D. COOPER QUERIED CAPACITY
FIGURE, AND SAUD ALLOWED THAT 10 MILLION B/D WAS
NECESSARY TO SUSTAIN 8.5. (FYI: EMBASSY RECKONS
SUSTAINABLE CAPACITY NOW BEING IN EXCESS OF 10 MILLION
B/D.) ON BEING ASKED ABOUT CAPACITY EXPANSION PLANS,
SAUD SAID THERE HAD BEEN NO SAG DECISIONS ON THIS

QUESTION, AND ARAMCO WAS PROCEEDING WITH ITS EARLIER PLANS.

6. REGARDING THE U.S. COMMITMENT ON ENERGY IMPORTS AT THE SUMMIT, SAUD REITERATED HIS EARLIER VIEW THAT AN IMPORT FEE WOULD MAKE VIRTUALLY CERTAIN AN OIL PRICE INCREASE BY OPEC. IN RESPONSE TO A QUESTION, HE AGREED THAT AN IMPORT QUOTA SYSTEM OF SOME TYPE WOULD BE EASIER FOR OPEC TO ACCEPT.

7. REGARDING U.S. AID LEVELS, COOPER STATED THAT PRESENT POPULAR ANTI-TAX ATTITUDES IN THE U.S. WOULD MAKE EXPANSION OF AID THE MOST DIFFICULT ISSUE TO BE FACED IN COMING MONTHS. COOPER ACKNOWLEDGED SIGNIFICANT HIGH LEVEL OF SAUDI AID AND HOPED THIS WOULD BE MAINTAINED.
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WITH REGARD TO EGYPT, COOPER POINTED OUT THAT U.S. WAS LARGEST DONOR AND EXPRESSED BELIEF THAT THIS AID WOULD CONTINUE. SAUD MENTIONED PROBLEMS OF BEING DONOR NATION TO EGYPT BECAUSE OF THE DIFFICULTY IN IDENTIFYING PROPER PROJECT AID DUE TO SLOWNESS OF EGYPTIAN BUREAUCRACY. NEVERTHELESS, ACCORDING TO SAUD, IT IS IN MUTUAL SAG/U.S. INTEREST TO MAINTAIN THE AID LEVELS TO EGYPT FOR "MANY REASONS."

8. COOPER MENTIONED POTENTIAL FOR CHANNELING SAUDI AID THROUGH CO-FINANCING ARRANGEMENT WITH INTERNATIONAL ORGANS. SAUD SAID SAG WAS BECOMING MORE INTERESTED IN THIS AID ROUTE. HE ALSO SAID SAG WAS AMENABLE TO SUPPORT OF IMF THROUGH A SELECTIVE QUOTA INCREASE. VANCE

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